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C O N F I D E N T I A L SECTION 01 OF 02 BAGHDAD 000375

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SUBJECT: ECONOMIC-REFORM PUBLIC EDUCATION: PUSHING FOR SPEED AND GOVERNMENT CREDIBILITY

REF: A. BAGHDAD 311  
    B. BAGHDAD 244 (NOTAL)  
    C. BAGHDAD 216  
    D. BAGHDAD 4559

Classified By: Economic Section Minister Counselor Thomas Delare, reasons 1.4 b/d

11. (SBU) Summary: The joint Economic-Refom Public Education Working Group (PWG) agreed February 5 that final messages and delivery strategies for a short-term public-education campaign on economic reform and anti-corruption efforts -- to include fuel price increases -- must be complete by February 10, and that the new Social Safety Net must be linked to economic reform in the public mind. In addition, GOI officials agreed that lack of government credibility among average Iraqis is a serious hindrance to effective public education and must be addressed, though they noted the current GOI leadership needs to be convinced of the importance of public trust. During the meeting, the GOI appointed a coordination person to champion efforts of Embassy, British Department for International Development (DFID), and GOI public affairs officials. GOI officials disagreed on the likelihood of March fuel price increases, as required by the IMF Standby Arrangement (SBA). End summary.

12. (SBU) The joint Economic-Refom Public Education Working Group (PWG), co-chaired by Embassy Econ and the Ministry of Finance, met for the third time on February 5 (ref B). Present for the GOI were the Ministries of Finance (MoF), Planning (MoP), Transportation (MoT), Oil (MoO), Electricity (MoE), and Labor & Social Affairs (MoLSA), and the State Oil Marketing Organization (SOMO). Present for the USG were Embassy Econ, Public Affairs (PAS), and USAID. The British Department for International Development (DFID) also attended.

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The Need for Public Affairs Capacity-Building  
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13. (SBU) PAS and DFID told the PWG that at their February 2 meeting at the Iraqi Government Communications Directorate (GCD), the Iraqi public-affairs officials agreed to take our proposed list of public messages to their respective policy advisors for input and approval. (Note: The February 2 meeting was the first time all Iraqi public affairs entities met to discuss a strategy for a public-education campaign on economic reform and anti-corruption efforts (ref A). It had become apparent during this meeting that Iraqi public affairs officials are not informed on basic economic policy issues. End note.) During our February 5 PWG meeting, however, it was clear that ministerial policy staff had not been briefed on the "proposed message" by their public affairs counterparts. Furthermore, the GCD, although appointed to lead the public-education campaign for the GOI, failed to appear at the PWG meeting. While possibly complicating our efforts, it underscores the real need for institutional

public affairs capacity-building within ministries and government offices (ref C).

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The Need for Speed  
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¶4. (C) Dr. Kamal Field, MoF Deputy Minister, stressed the need for immediate public-education efforts on fuel price increases, but then hedged himself by recommending economic and social impact studies. We noted the utility of such studies, but said it would be difficult to develop reliable conclusions for at least another few months. We tried to steer participants to agree on immediate public-education action, stressing that USG funds must be committed now. The Iraqis agreed that final messages and delivery strategies must be completed by February 10, to coincide with the hoped-for bid deliveries of Iraqi public-relations companies. Even if the next round of fuel price hikes is delayed to June, we stressed that messaging needs to start now.

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The Need to Link the New Social Safety Net  
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¶5. (C) The Iraqis appointed Dr. Kadhum Shemki Amer, MoLSA Director of International Relations, to be the GOI coordinator who will work with USG, DFID, and Iraqi public affairs officials to develop and deliver short-term public messages. (Note: Kadhum has worked with USAID recently to develop MoLSA's Social Safety Net public-education strategy, which the World Bank (WB) plans to fund. WB funding for Social Safety Net public education will likely not be disbursed until June. End note.) The new Social Safety Net

BAGHDAD 00000375 002 OF 002

(ref D), launched in December 2005, is intended to protect the poorest Iraqis from the shock of economic reforms. Iraqi counterparts generally believe that their countrymen will not support any further belt-tightening unless they see payments from the new Safety Net and believe that it will work. For this reason, it will be critical to link the new Social Safety Net to GOI economic reform actions in the public mind. Kadhum's appointment as the GOI coordinator should help to ensure that this happens.

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The Need for Government Credibility  
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¶6. (SBU) We suggested that average Iraqis want to hear facts, vice promises, and have these facts explained via interactive interviews with government leaders. The Iraqis agreed but were skeptical of their leaders, inclinations to submit to such questioning. The Iraqis eventually agreed that a good starting point would be a seminar to convince the GOI leadership of the necessity of a public-education campaign in which they play a central role to convey these tough messages to the Iraqi public. (Comment: GOI officials know that the public does not trust them, and many of them frankly seem not to care. A significant part of our efforts will be to convince them that in a democratic society, public trust does matter. Reforms will be empty if not based on GOI credibility and trust. End comment.)

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The Need for March Fuel Price Increases Questioned  
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¶7. (C) Deputy Minister Kamal suggested that the March fuel price increase -- required under the IMF Standby Arrangement (SBA) -- should only occur if there is statistical support that it is not harming too many citizens. Further, MoO and SOMO representatives disagreed on the need and advisability of March fuel-price increases. Ahmed Al-Shamma, Deputy Minister of Refining and Gas Processing, said that the GOI

should not increase fuel prices again until they can show tangible benefits and ensure that the new Social Safety Net sufficiently protects the poorest Iraqis. He does not think fuel prices can be raised again until June, and even this might be too soon. SOMO Director General Musab Al-Dujaili disagreed: "For heaven's sake, what are we doing? We have to raise prices now, and we must liberalize the market. We don't have the money to pay for continued imports."

**¶8. (C) Comment:** MoO Deputy Minister Ahmed agreed that the fuel market needs to be liberalized, and said he supports the voucher/fuel-rationing program as outlined by Finance Minister Allawi. SOMO DG Musab notwithstanding, the general Iraqi consensus was that March is too soon for another fuel price increase. They agreed, however, that messages are needed now to educate and prepare the public for future subsidy reductions. End comment.

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